GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3650
ANSWERED ON:25.08.2006
IMPLICIT PENSION DEBT (IPD)
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Will the Minister of FINANCE be pleased to state:

(a) the details of the Implicit Pension Debt (IPD) with respect to the Central Government Employees and pensioners as on April 1, 2004, 2005 and that on April 1, 2006; and

(b) the steps taken to mitigate this burden and to manage the Pension Funds more prudently and diligently?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.K. BANSAL)

a) Under a technical assistance agreement with the Asian Development Bank, a national sample survey was conducted in 2004 to study the income, expenditure and savings behaviour of the Indian labour force. The database generated by this survey is in the public domain and can be accessed at www.finmin.nic.in.

It is understood that consultants of Invest India Economic Foundation (IIEF) and the Centre for Monitoring Indian Economy (CMIE) analysed this data in July 2005 and estimated that the Implicit Pension Debt (IPD) or the current pension liabilities on account of Central and State Government employees is Rs.17,35,527 crores approximately which is about 55.88% of India`s GDP.

The said paper is available on the website of IIEF at www.iief.com.

b) Government has implemented a new restructured defined contribution pension scheme, namely the New Pension System (NPS) for all Central Government employees (excluding Armed Forces, in the first stage) joining from January 1, 2004. The NPS is based on defined contributions, which is 10% of the salary and DA with matching contributions from the Government in respect of Central Government employees. The NPS is a funded pension system which defines the liability of Government upfront in case of Government employees.